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SUBJECT: Taiwan Takes Steps to Boost Employment

Summary

1. (SBU) The Executive Yuan has approved a two-part, USD 300 million plan to create almost 56,000 temporary jobs over the next eight months. The program will fund 36,000 new, temporary positions within Taiwan's official ministries, as well as contribute between NTD 10,000 (USD 312) and NTD 17,600 (USD 550) per month to subsidize temporary six-month jobs at local governments, non-profit organizations (NPOs), and private-sector businesses. End summary.

Unemployment at Three-year High

2. (SBU) In September, unemployment among Taiwan's 10.9-million labor force reached a four-year high of 4.27 percent, a 0.13 percentage-point increase from August. The service sector--hit by a bleak outlook for the financial sector and September's 5.1 percent month-on month drop in consumer spending, a seven-year high--shed 38,000 jobs in September. The industrial sector is hurting, too, with September's month-on-month 183-percent increase in factory closures costing Taiwan 14,000 manufacturing jobs.

3. (SBU) On November 7, Council for Economic Planning and Development (CEPD) Department of Manpower Planning Director Chen Shi-Chang told econoff that Taiwan's employment situation is going through "a year without autumn." According to Chen, Taiwan's unemployment rate usually declines in August and September as early summer's college and high school graduates steadily find full-time jobs. However, Chen said the unemployment rate in 2008 worsened over the same two months, as recent graduates failed to find positions. According to Chen, similar rises have occurred only twice in modern Taiwan: during 1983's oil crisis and 2001's internet stock collapse. In addition, Chen noted that many fewer enterprises are taking advantage of a long-term CEPD program that subsidizes internship-to-work programs for recent college graduates, indicating widespread reluctance in the private sector to take on new employees this year.

Authorities Take Action

4. (SBU) In response to the worsening employment picture, on October 31, Executive Yuan (EY) Premier Liu Chao-shiuan approved the "2008 Temporary Measures to Boost Employment" submitted to the EY by the Council for Economic Planning and Development (CEPD). On November 6, the EY adopted an additional, larger plan covering the first six months of 2009. On November 6, Director Chen told econoff the combined plans will allocate USD 300 million to create 46,114 temporary jobs in 2008 and an additional 9,820 jobs in 2009.

15. (SBU) Chen said funding for the programs will come from unused portions of the 2008 budget, part of the EY's second reserved fund, and the Council of Labor Affairs-controlled Employment Stabilization Fund of monthly fees collected from employers of foreign laborers. Ministries and other agencies under the EY will use the funding to directly create about 30,000 new, six-month positions, including more than 5,000 jobs each under the Ministries of the Interior, Finance, Education, and Economic Affairs. The Ministry of Defense will also do its part by allowing up to 5,000 qualified male applicants to report earlier than originally scheduled for their mandatory military service.

16. (SBU) In addition, the plan calls for the Council of Labor Affairs (CLA) to pay up to NTD 10,000 (USD 312) per month for up to six months to help local governments, non-profit organizations, and private-sector businesses hire workers who have registered with local employment centers. The CLA will up this figure to about USD 550 per month for employers who hire workers from "marginal groups" such as older workers, the handicapped, and aborigines. Under this program, the CLA plans to create 15,000 temporary jobs in 2008, and another 20,000 in 2009.

17. (SBU) On November 12, Chen I-Min, Director General of the CLA Bureau of Employment and Vocational Training, told econoff the program will benefit only those who have been unemployed for at least three months, a status easy to confirm through Taiwan's electronic social security system. Chen said as of November 11, 1,500 firms have applied under this program to hire over 4,000 workers, and the CLA has approved 3,000 applications.

18. (SBU) In an effort to encourage enterprises not to lay off workers, the CLA plan also includes funding for heavily-subsidized

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joint training programs. Under this part of the plan, the CLA hopes employers who were planning to lay off workers will instead take advantage of the CLA's offer to pick up 80 percent of the cost for re-training their workers to be of more benefit to the employer.

Foreign Workers Unaffected, for Now

19. (SBU) Both CEPD's Chen and CLA's Chen told econoff the authorities had discussed trying to increase local employment by cutting the number of Taiwan's 373,000 foreign laborers, who are primarily from Southeast Asia. However, they said this idea was discarded due to opposition from enterprises, and doubts that local workers would take the dirty, dangerous, and difficult jobs foreign workers typically do in Taiwan. Nevertheless, CLA's Chen didn't exclude the possibility of reducing the quota for foreign workers in the future if Taiwan's unemployment continues to deteriorate over 2009. According to Chen, Taiwan took this step once before, when the CLA froze new hiring for foreign workers in 2001 when the local unemployment rate exceeded 5 percent.

Comment

110. (SBU) CEPD Manpower Planning Director Chen and CLA Employment and Vocational Training DG Chen both told us Taiwan's ministries are under pressure from the Ma administration to boost employment. Although both said 56,000 temporary positions will not prevent unemployment figures from rising over the next year, they hope these temporary measures will help make the picture a little less bleak.
End comment.

YOUNG